

## **INTRODUCTION**

The Office of Internal Audit reports to the Assistant Commissioner of Administrative Services and is functionally divided into the Investigative and the Fiscal Accountability Review (FAR) units.

The FAR unit conducts monitoring on a statewide basis and is guided in this endeavor by:

- a) DMRS Policy P-017 Financial Accountability Review (copy provided)
- b) DMRS Procedure Manual, which can be viewed at the DMRS website, under the "For Providers" link.
- c) The Provider and/or Grant Agreement(s) in effect with the agency.

## **PROCESS OVERVIEW**

### **Scheduling of Reviews**

When agency billing exceeds \$300,000/year, you will be contacted and a review scheduled. Agencies are contacted a minimum of two (2) weeks prior to proposed review date, with one to two month's notice preferred. As much as possible, review schedules accommodate the needs of the agency and the reviewer.

Once the review is scheduled, a Confirmation letter is prepared and emailed to the agency which confirms the agreements to be reviewed and the dates agreed upon. This letter also contains a List of Items Needed prior to, and during, the review.

### **Elements Tested**

#### **Service Provision**

The objective is to test whether the provider's billings and payments are supported by the agency's documentation of provided services.

When billed units are not adequately supported, questioned costs are cited (rate/unit multiplied by number/units not supported).

Sample size and selection criteria are established in the FAR policy.

Generally, documentation should be legible, pertain to the services, complete, accurate, and be signed rather than initialed. Start/Stop times should also be indicated so hours, shifts and time frames can be established.

**Allowable Costs/Cost Principles**

This involves a review of agency business practices and do they conform to generally accepted accounting principals.

When agency billing exceeds \$500,000/year then an Independent Financial audit is required.

DMRS Provider Manual, Chapter 20.7.a. Independent Audit states:

"Providers receiving \$500,000 in aggregate state and federal funds must conduct an independent audit of the organization..."

If a report from a independent audit completed within the past twelve (12) months is not available, this is cited as a finding.

**Board Minutes**

This consists of a review of the agency's minutes of the meetings of the board of directors include any items pertinent to their relationship with DMRS.

**Title VI**

The objective of this test is to provide assurance that policies and actions taken by the agency do not exclude any person from employment or participation in the program based on the grounds of race, color, or national origin. Test elements include verification of display of the Title VI Poster, submission of the Title VI Self-Survey, the designation of an agency Title VI Coordinator, and whether or not any complaints were filed.

**Special Tests and Provisions**

The objective here is to identify and then test for agency/program specific requirement(s). Common test elements include:

Public Accountability: verify Public Accountability poster displayed

Subcontracting: if the agency has subcontractors (not employees) then approval of same from DMRS Central Office is verified

Personal Funds: review the most recent the Quality Assurance (QA) Survey of the agency. If the score in Domain 10 is less than "4" then the FAR reviewer conducts a follow-up inquiry to the status of all individual personal fund issues identified in the QA survey. If all of the identified issues have been resolved, a simple statement to that effect in the DRG and report are sufficient.

## **Report Issue and Response**

Once the on site portion of the review is completed, an Exit Conference is conducted with agency staff where initial findings are presented. Then the reviewer prepares and submits a draft report to the Director who finalizes and issues it to the agency.

The agency has 30 days to submit a Management Response to the report.

Once the Management Response is received, the Director will evaluate and issue a "Final Resolution" memo. This is the point where any recoupments are effected.

The FAR policy provides greater detail.

**Note** Normally, the Director presents this overview in person and takes questions at this point. Here is his contact information (Business Cards) and he will be happy to respond to any additional requests you have.